



## Lesson Two

# Where Does Money Come From?

---

### Introduction:

In the previous lesson we discussed the history of money. Now we will look at where money comes from, how it is created and circulated, and ways people can earn it.

### Objectives:

- To explain how money is made and circulated.
- To introduce students to the concept of income.

### Suggested Materials/Speakers:

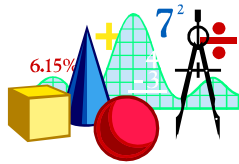
- *Catalogue of Most Popular Coins* by Reinfeld and Hobson
- *Marvels of the U.S. Mint* by Abelard-Schuman
- *Counterfeit Points* - Federal Reserve Bank of Boston, call 617-973-3459 to order
- *Dollar Points* - Federal Reserve Bank of Boston, call 617-973-3459 to order
- *Totally Awesome Money Books for Kids* by Andrian G. Berg and Arthur Berg Bochner
- *How to Teach Children about Money* by Peggy Houser
- *The Money Story* - Covers the history, production and usage of coins and currency (34-minute video available from the United States Mint and the Bureau of Engraving and Printing) call 1-800-USA-MINT to order.
- Local coin collector or banker

## Suggested Activities/Homework:



### *Creative Arts*

- Design your own coin and dollar bill.
- Design a teller area for your school to be used during banking days.
- Make a rubbing, front and back, of United States coins.
- Draw a map to go along with the story about the old penny (see language arts section of this chapter).



### *Math*

- There is \$517 billion in circulation today. If everyone in the United States got \$1,000, how much would remain, if any? (There are 250 million people in the United States.)
- With Boston as a starting point, determine how many dollar bills it would take to reach Springfield, Massachusetts, if the bills were laid out end-to-end. How many to reach Provincetown, Gloucester, Worcester, or your city or town? If you live in Boston, plan a route from Fenway Park or the State House to your school. Can you come up with several strategies for solving the problem? (A dollar bill is just over 6 inches long.)
- What is the rate of exchange between U.S. money and other countries?



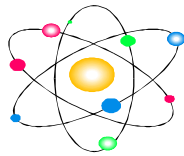
### *Language Arts*

- Write a story about an old penny. When and where was it “born”? Where did it travel? With whom did it travel? What has it seen through the years?
- Describe ways in which your family members make money.



### *Social Studies*

- Research the issuing of the first paper money in America.
- If you have done coin rubbings (Page 10 - Creative Arts), identify markings common to all United States coins.
- Bring in foreign coins. Identify the country of origin. Who is on each coin? Why is that person on the coin? About how much is each coin worth?



### *Science*

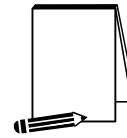
- What kinds of metals have been used to make coins? What are coins made of today? Why were these metals selected?
- What kind of ink is used to print money? What is special about it?
- Discuss the security measures that are taken to prevent forgery. Bring in ways to detect whether or not a bill is forged.



### *Computer*

- Develop a timeline, showing the progression from bartering, to the earliest use of a money system, to the development of a monetary system in this country.

## *Attachments*



- *Where Does Money Come From:* Lesson Material, Glossary and Web Sites.
- *Dollars and Cents:* Activity to familiarize students with coins and bills.

## WHERE DOES MONEY COME FROM?

### *Minting Coins and Printing Money*

The U.S. Government creates and monitors the money supply in this country. At one time, individual banks and states were permitted to issue their own paper bills. Banks were allowed to issue their own money as long as they kept a portion of the bank's savings with the government. However, when banks began issuing money with so many different face values, it was hard for the government to keep track. At one point, there were over one thousand different types of paper money in the United States.

Since 1877, the U.S. Treasury Department has issued all paper money. The bills are produced at the Bureau of Engraving and Printing in Washington, DC, a division of the Treasury Department. The coins we use are produced at four government mints, located in Philadelphia, PA (P); Denver, CO (D); San Francisco, CA (S); and West Point, NY (W). By looking at a coin, you can tell where it was minted, by the initial that appears on its face.

The Federal Reserve System, established by Congress in 1913, issues Federal Reserve Notes, our paper bills. These bills (notes) are printed and issued in amounts of \$1, \$2, \$5, \$10, \$20, \$50, and \$100. The \$500, \$1,000, \$5,000, and \$10,000 amounts have not been printed since 1946. The bills are issued through twelve Federal Reserve Districts with main offices located in major cities throughout the United States. These Federal Reserve Banks issue money according to the need in their districts. Each of the twelve districts is given a number and the corresponding letter of the alphabet, as shown in the table below.

City	Code	City	Code
Boston	A 1	Chicago	G 7
New York	B 2	St. Louis	H 8
Philadelphia	C 3	Minneapolis	I 9
Cleveland	D 4	Kansas City	J 10
Richmond	E 5	Dallas	K 11
Atlanta	F 6	San Francisco	L 12

The district letter and number on the face of a bill identifies the issuing Reserve bank. (See the diagram below) For example, a bill with the code **A 1** on its face was issued by the Federal Reserve Bank of Boston.



### *Circulation of Money*

The federal government is also responsible for monitoring how much money is in circulation. Approximately \$517 billion is in circulation today.

Money wears out from handling and is sometimes accidentally damaged or destroyed. Banks send these old, worn, torn, or soiled notes to a Federal Reserve Bank to be exchanged for new bills. The average life of a \$1 bill and \$10 bill is about 18 months. The average life of a \$5 bill is 15 months and for a \$20 bill, two years. The \$50 bills and \$100 bills last longer because they are not used as much as the smaller bills. The \$50 bill lasts about five years and the \$100 bill about eight and a half years. Coins last longer than the paper money with an average life of 25 years.

### *Sources of Income*

Now that we have explored how money is created, let us look at the various ways people acquire money. ***The amount of money that an individual, family, and/or business receives over a specific time period is called income.***

For most people, employment is the primary source of income. People get paid money for the work they do, and the work force consists of millions of individuals using a variety of skills.

In some cases, people receive income from either the Federal or State government. ***Government programs that distribute money to individuals are called entitlement programs.*** Some examples of entitlement programs include social security, veteran benefits, unemployment compensation, and assistance to families with children (commonly known as transitional assistance).

# Glossary



<b>The Bureau of Printing and Engraving</b>	Building where the U.S. Treasury Department prints paper currency.
<b>Circulation</b>	The number of copies of (money) bills distributed; the passing of something, such as money, from place to place or person to person.
<b>Color-Shifting Ink</b>	The ink used in the numeral in the lower right-hand corner on the front of the bill looks green when viewed straight on, but black when viewed at an angle.
<b>Entitlement Programs</b>	Government programs that distribute money to people (for example, social security, veteran benefits, unemployment compensation, and transitional assistance).
<b>Federal Reserve Bank</b>	The central bank of the government of the United States; responsible for formulating and carrying out the government's monetary policies.
<b>Federal Reserve Note</b>	Paper money (bills printed in \$1, \$2, \$5, \$10, \$20, \$50, \$100).
<b>Fine-Line Printing Patterns</b>	Appear on both sides of the note, in the background of the portrait and the buildings. This type of printing is difficult to reproduce on scanning equipment or replicate by other printing methods.
<b>Income</b>	The sum of money received in a given time period by an individual, family, or business.
<b>Microprinting</b>	Can be read only with a magnifier and becomes blurred when copied, appears in unique places on each denomination.
<b>Mint</b>	Building where the government makes coins. The act of making a coin.
<b>Portrait</b>	An historical figure located off center of the bill.

<b>Security Thread</b>	An embedded polymer strip, positioned in a unique spot for each denomination, guards against counterfeiting. The thread itself, visible when held up to a bright light, contains microprinting-the letters USA, the denomination of the bill, and on the \$50 and \$20, a flag. When viewed under ultraviolet light, the thread glows a distinctive color for each denomination.
<b>Watermark</b>	Created during the papermaking process, depicts the same historical figure as the portrait. It is visible from both sides when held up to the light.

## ***RELATED WEB SITES***

<b>Web Site</b>	<b>Topic</b>
<a href="http://www.pbs.org/wgbh/nova/moolah">http://www.pbs.org/wgbh/nova/moolah</a>	Counterfeit Money
<a href="http://www.usmint.gov/about_the_mint/collectors_corner/index.cfm?action=Collecting_coins">http://www.usmint.gov/about_the_mint/collectors_corner/index.cfm?action=Collecting_coins</a>	Collecting Coins
<a href="http://www.whitehouse.gov/kids/">http://www.whitehouse.gov/kids/</a>	White House Educational Links
<a href="http://www.ustreas.gov/kids/">http://www.ustreas.gov/kids/</a>	US Treasury Web Site

# Dollars and Cents



How many coins would it take to make up \$100? Use at least one of each of the six coins.

Coin	How Many?	Total
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____

Total \_\_\_\_\_

Name five bills that are currently in circulation. Can you identify whose portrait is on that bill?

Bill	Portrait
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____

What do you want to save for?

---



---